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FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01

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TO SECSTATE WASHDC PRIORITY 6604
INFO TRSY DEPT WASHDC PRIORITY
AMEMBASSY CAIRO PRIORITY
USDOC WASHDC
AMEMBASSY ABU DHABI
AMEMBASSY JIDDA
AMEMBASSY TEL AVIV

C O N F I D E N T I A L SECTION 1 OF 2 DAMASCUS 1289

E.O. 11652: GDS
TAGS: PFOR EAID EINV SY US OVIP (8.9,, WILLIAM)
SUBJ: MARCH 3 VISIT OF US SECRETARY OF TREASURY SIMON TO SYRIA

1. SUMMARY: SECRETARY SIMON'S EIGHT HOUR VISIT WAS WELCOMED BY SYRIANS AND MADE EFFECTIVE CONTRIBUTION TO BOTH ATMOSPHERE AND SUBSTANCE OF US-SYRIAN ECONOMIC RELATIONS. IN MEETING WITH SYRIA'S PRINCIPAL ECONOMIC MINISTERS, SECRETARY SIMON SKETCHED OUT POSSIBLE AREAS FOR US-SYRIAN COOPERATION INCLUDING TAX TREATY AND PROVISION OF EXPERTS IN TAX ADMINISTRATION AND CUSTOM REGULATION TO WORK WITH SYRIANS ON DEVELOPING INCENTIVES TO ATTRACT PRIVATE US BUSINESSMEN AND INVESTMENT. THESE PROPOSALS WERE REVIEWED WITH PRESIDENT ASAD WHO CAUTIONED THAT EXTENT OF US-SYRIAN ECONOMIC COOPERATION COULD BE AFFECTED BY US POLITICAL ATTITUDES TOWARD ARAB-ISRAELI PROBLEM. END SUMMARY.

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2. HIGHLIGHTS OF SECRETARY SIMON'S EIGHT HOUR VISIT TO DAMASCUS MARCH 3 WERE HIS TWO SUBSTANTIVE MEETINGS, ONE

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A TWO HOUR SESSION WITH PRESIDENT ASAD AND THE SECOND
AN HOUR-PLUS EXCHANGE WITH DEPUTY PRIME MINISTER FOR
ECONOMIC AFFAIRS MOHAMED HAYDAR, MINECONOMY AND FOREIGN
TRADE IMADI AND MINFINANCE SHARIF. IN BOTH MEETINGS,
SYRIAN INTERLOCUTORS RECIPROCATED SECRETARY'S POSITIVE
APPROACH TO STRENGTHENING BILATERAL ECONOMIC RELATIONS.

3. MEETING WITH PRESIDENT ASAD WAS ALSO ATTENDED BY
ASSISTANT TO THE PRESIDENT FOR ECONOMIC AFFAIRS
SEIDMAN, ASSISTANT SECRETARY PARSKY AND AMBASSADOR.
PRESIDENT OPENED BY ASKING SECRETARY HOW HE THOUGHT
SYRO-AMERICAN ECONOMIC RELATIONS WERE PROGRESSING. SECRETARY
REPLIED THEY WERE GROWING RAPIDLY BUT WERE STILL ONLY AT
THEIR BEGINNING. AMERICAN BUSINESS COMMUNITY STILL LARGELY
UNAWARE OF OPPORTUNITIES IN SYRIA, WHOSE ECONOMY HAD SHOWN
REMARKABLE STRENGTH IN EXPERIENCING STEADY GROWTH
DURING WORLDWIDE RECESSION. DEVELOPMENT OF ECONOMIC
RELATIONS WOULD OF COURSE REQUIRE MORE CONTACTS AND CON-
SULTATIONS. SECRETARY SAID HE AND DEPUTY MINISTER HAYDAR
HAD ONLY SCRATCHED SURFACE EARLIER IN DAY BUT THEY HAD
DISCUSSED SOME SPECIFIC AREAS OF POSSIBLE COOPERATION SUCH
AS NEED TO BUILD INVESTMENT INCENTIVES INTO SYRIAN TAX
STRUCTURE AND NEED FOR BROADER DISSEMINATION OF INFORMA-
TION ABOUT SYRIAN ECONOMY IN US. WE WERE PREPARED TO
SEND TEAM OF EXPERTS IN TAX ADMINISTRATION AND CUSTOMS
REGULATIONS TO SYRIA IMMEDIATELY TO WORK IN THESE AREAS.
IT MIGHT ALSO BEUSEFUL FOR TEAM TO BE ABLE TO REVIEW
SYRIA'S NEW FIVE-YEAR PLAN TO SEE WHAT INCENTIVES MIGHT
BE INCLUDED TO MAKE IT MORE APPEALING TO US PRIVATE
SECTOR. AMERICAN BUSINESSMEN WERE MORE RESPONSIVE WHEN
USG HAD DONE PROPER PUMP RPIMING. A MAJOR IMPEDIMENT
TO INVESTMENT, OF COURSE, WAS CONTINUING INSTABILITY IN
MIDDLE EAST.

4. SECRETARY THEN UNDERSCORED CONTINUING US INTEREST IN
JUST AND LASTING PEACE IN ME AND BRIEF DISCUSSION OF US
ELECTION PROSPECTS ENSUED. SECRETARY EMPHASIZED
THAT FOUNDATIONS OF US ECONOMY WERE STRONG AND RECOVERY
WAS MAKING STEADY PROGRESS. ASAD AGREED WITH SECRETARY'S
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STATEMENT THAT, IN INCREASINGLY INTERDEPENDENT WORLD,
POLITICAL AND ECONOMIC POLICY HAD BECOME INEXTRICABLY
RELATED AND OBSERVED THAT ARABS HOPED AMERICAN BUSINESS-
MEN WOULD BECOME BETTER POLITICAL EXPERTS. ZIONISM HAD
BEEN ABLE TO MISLEAD THEM AND AS RESULT INJUSTICE
WAS BEING DONE TO TWO PARTIES, THE ARAB AND AMERICAN
PEOPLES.

5. SECRETARY ASKED PRESIDENT HOW HE SAW SYRIAN-AMERICAN
RELATIONS DEVELOPING. PRESIDENT REPLIED THAT ARABS

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GENERALLY, AND SYRIA AMONG THEM, WANTED GOOD RELATIONS WITH US. THESE RELATIONS WERE DEVELOPING TO CERTAIN EXTENT BUT PROBLEM OF ISRAEL AND ITS CONTINUING AGRESSION REMAINED AN OBSTACLE. SYRIANS FIND INCREDIBLE THAT US DOMESTIC CONSIDERATIONS SHOULD JUSTIFY LEVEL OF INFLUENCE ISRAEL HAS ON US FOREIGN POLICY. ISRAEL IS ABLE TO CONTINUE ITS EXPANSIONIST POLICIES ONLY BECAUSE OF US MILITARY. ECONOMIC AND POLITICAL SUPPORT. PRESIDENT THEN SPELLED OUT SYRIAN POSITION TOWARD ISRAEL IN FAMILIAR TERMS, EMPHASIZING NECESSITY OF RECOGNIZING RIGHTS OF PALESTINIANS. HE CONCLUDED BY RETURNING TO POINT THAT SYRIA WANTED TO DEVELOP MORE COOPERATIVE RELATIONS WITH US BUT THIS WOULD DEPEND ON OUR POSITION TOWARDS OVERALL ISSUE OF WAR AND PEACE WHICH COULD HAVE NEGATIVE EFFECT. HE THEN ASKED SECRETARY TO REVIEW SPECIFIC PROPOSALS WHICH HAD BEEN DISCUSSED WITH HAYDAR.

6. SECRETARY REPLIED THEY HAD TALKED OF A TAX TREATY DESIGNED TO REMOVE IMPEDIMENTS TO INVESTMENT AND HAD DISCUSSED REVIEWING SYRIA'S NEW FIVE-YEAR PLAN TO DETER-MINE WHAT INCENTIVES WOULD BE NEEDED TO ATTRACT US INVESTORS. OTHER MECHANISMS FOR BRINGING US BUSINESSMEN TO SYRIA HAD ALSO BEEN DISCUSSED, INCLUDING IDEA OF A JOINT BUSINESS COUNCIL OF PERHAPS 25 AMERICANS MEETING WITH REPRESENTATIVES OF SYRIAN BUSINESS AND PUBLIC SECTORS. THEY HAD TOUCHED ON ROLE OF OPIC AND AMERICAN CHAMBER OF COMMERCE. MOST IMPORTANT THING USG COULD DO IMMEDIATELY WAS TO EDUCATE AMERICAN BUSINESS ABOUT ME OPPORTUNITIES. HAYDAR, IN TURN, HAD OUTLINED AREAS OF LAND RECLAMATION, AGRICULTURE, RURAL ELECTRIFICATION AND WATER SUPPLY FOR US/SYRIAN COOPERTION. PRESIDENT AT THIS POINT COMMENTED
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THAT IT SOUNDED AS THOUGH THERE HAD BEEN GOOD DISCUSSION OF AREAS OF ECONOMIC COOPERATION AND DEPUTY PRIME MINISTER HAD BEEN ENTHUSIASTIC, PERHAPS SO ENTHUSIASTIC THAT "WE MUST PULL HIM BACK." (COMMENT: LATTER OBSERVATION WAS DELIVERED IN ONLY SEMI-FACETIOUS MANNER.) ASAD ASKED SIMON TO TRANSMIT HIS WARM GREETINGS TO PRESIDENT FORD.

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USDOC WASHDC
AMEMBASSY ABU DHABI
AMEMBASSY JIDDA
AMEMBASSY TEL AVIV

C O N F I D E N T I A L SECTION 2 OF 2 DAMASCUS 1289

7. HAYDAR MEETING:

SECRETARY WAS ACCOMPANIED BY SEIDMAN, PARSKY, TREASURY DIRECTOR OF ME AFFAIRS NEWMAN AND AMBASSADOR IN MEETING WITH HAYDAR, IMADI AND SHARIF. SECRETARY OIENED SAYING PRESIDENT FORD HAD ASKED HIM TO INCLUDE DAMASCUS IN HIS ME TRIP. WHILE HERE HE HOPED TO EXPLORE POSSIBILITIES FOR ACHIEVING CLOSER ECONOMIC RELATIONS WITH SARG. HAYDAR EXPRESSED SYRIA'S DESIRE FOR CAPITAL INVESTMENT AND NOTED THAT OUR ECONOMIC RELATIONS WERE IMPROVING AND COMMERCE EXPANDING. WE HAD RESOLVED PROBLEM OF OUTSTANDING DEBT ARREARAGES AND MATERIALS SUBMITTED BY EMBASSY ON ECONOMIC COOPERATION AGREEMENT (AID BILATERAL) AND OPIC ACCORD WERE UNDER "POSITIVE STUDY." SYRIANS WERE READY TO DISCUSS ANY TOPIC AND CONSULT ON ANY MATTER WHICH MIGHT IMPEDE FURTHER US-SYRIAN COOPERATION. HAYDAR ADDED THAT MORE OR LESS "BY ACCIDENT" WE HAD ALREADY LAUNCHED THROUGH AID COOPERATION IN FOUR AREAS: LAND RECLAMATION,
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AGRICULTURAL PROJECTS, ELECTRIFICATION AND WATER SUPPLY, BUT SYRIA WAS ALSO INTERESTED IN EXPANDING CONTACTS WITH PRIVATE SECTOR, IN PARTICULAR WITH MAJOR US OIL COMPANIES. SECRETARY SAID IT WAS IMPORTANT FOR SYRIA TO SEEK TO ATTRACT AMERICAN PRIVATE SECTOR AND USG MUST HELP EDUCATE AMERICAN BUSINESSMEN ABOUT INVESTMENT OPPORTUNITIES IN SYRIA. HAYDAR

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SAID HE WAS ASKING USG OFFICIALLY TO EXERT SPECIAL EFFORT TO PROMOTE AND PUBLICIZE SYRIAN ECONOMIC OPPORTUNITIES WITH US PRIVATE SECTOR.

8. SECRETARY SAID USG COULD ALSO ASSIST IN ADVISING SARG WHETHER ITS TAX AND OTHER INCENTIVES WERE SUFFICIENT TO ENCOURAGE AMERICAN COMPANIES. US HAD MANY VEHICLES, SUCH AS NAM, CHAMBERS OF COMMERC, SMALL BUSINESS ASSOCIATION, ETC. FOR DISTRIBUTING MATERIAL CONCERNING OPPORTUNITIES IN SYRIA. SECRETARY DESCRIBED US EFFORTS IN SAUDI ARABIA INCLUDING DATA GATHERING AND PLANNING IN ORDER TO END OVER-RELIANCE ON OIL AND AGREEMENT ON DEVELOPMENT OF ELECTRIC POWER. HAYDAR INTERJECTED HOPE THAT AMERICAN EXPERTS WOULD ASSURE COMPATIBILITY OF SAUDI AND OTHER ARAB ELECTRIC SYSTEMS. SECRETARY AGREED, ADDING THAT HE THOUGHT SYRIANS ALSO SHOULD MAKE THIS POINT DIRECTLY WITH SAUDIS. IMADI SAID HE WOULD DO SO AND NOTED THAT CON-FERENCE ON INTER-ARAB POWER GENERATION WAS CURRENTLY UNDER WAY IN DAMASCUS. HAYDAR SAID HE HOPED AMERICAN EXPERTS ON SAUDI PROJECT COULD TRAVEL TO OTHER ARAB COUNTRIES TO STUDY THEIR POWER DEVELOPMENT PROJECTS.

9. HAYDAR SAID HE WAS INTERESTED IN SEEING US-SYRIAN COOPERATION EXPAND INTO INDUSTRIAL SECTOR. SECRETARY REPLIED THAT WE SHOULD JOINTLY EXPLORE WAYS TO FACILITIATE AMERICAN ENTRY INTO THAT SECTOR. BILATERAL TAX TREADY COULD BE USEFUL. HE URGED THAT SYRIA SUPPLY US WITH COPIES OF ITS INVESTMENT POLICIES AND LAWS AFFECTING MATTERS SUCH AS REPATRIATION OF CAPITAL AND PROPOSED THAT TEAM OF SYRIAN AND AMERICAN EXPERTS MEET TO DISCUSS THEM. SECRETARY CONTINUED THAT US HAD SOPHISTICATED CUSTOMS AND TAX ADMINISTRATION SYSTEM AND WOULD BE PREPARED TO ASSIST SYRIA IN THESE AREAS BY SENDING EXPERTS FROM TREASURY DEPT. HAYDAR ACCEPTED OFFER, ADDING THAT AREAS OF JOINT STUDY SHOULD BE DEFINED IN EXCHANGES BETWEEN MINFINANCE CONFIDENTIAL

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SHARIF AND AMBASSADOR. HE SUGGESTED THAT SECRETARY SEND HIM COPY OF US TAX CODE FOR TRANSLATION.

10. HAYDAR NOTED THAT SARG WAS THINKING OF PUBLISHING DETAILED INVESTMENT LAW IN CONNECTION WITH SYRIA'S FOURTH FIVE-YEAR PLAN. SECRETARY SUGGESTED THAT IF AMERICAN EXPERTS COULD LOOK AT LAW BEFORE PUBLICATION THEY COULD SUGGEST ITEMS SUCH AS TAX INCENTIVES WHICH WOULD ATTRACT US PRIVATE SECTOR INTEREST. HAYDAR SAID HE WAS SURE SYRIA COULD BENEFIT FROM SUCH ADVICE. NEW FIVE-YEAR PLAN, HE SAID, CALLED FOR 70 BILLION SYRIAN POUNDS (OVER $19 BILLION) OF WHICH NEARLY 50 PERCENT WOULD NEED TO BE EXTERNALLY FINANCED. SECRETARY SAID HE DID NOT CONSIDER THIS DIFFICULT

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GOAL TO ACHIEVE, PARTICULARLY IF PEACE ESTABLISHED IN AREA. PEACE WOULD RELEASE RESOURCES NOW SPENT ON SECURITY FOR DEVELOPMENT AND WOULD ALSO INCREASE INVESTOR CONFIDENCE IN AREA. FOR THIS REASON SYRIA NEEDS A JUST PEACE MORE THAN ISRAEL DOES.

11. MEMCONS BOTH MEETINGS BEING POUCHED TO TREASURY, STATE AND AID. OTHER ACTIVITIES DURING VISIT INCLUDED LUNCHEON WITH SYRIAN OFFICIALS OFFERED BY MINECONOMY AND FOREIGN TRADE IMADI AND OPPORTUNITY FOR OTHER MEMBERS OF DELEGATION TO VISIT SOUQ AND TOURISTIC SITES. COMMERCE ASSTSECREED AND DEPASSTSEC HOSTLER VISIT DAMASCUS INTERNATIONAL FIARGROUNDS AND HAD SEPARATE MEETING WITH DR IMADI WHICH OPIC EXEC VP GREGG ALSO ATTENDED (SEPTELS).

12. COMMENT:

BOTH MEETINGS WERE EXTREMELY CORDIAL AND SUGGESTED SEVERAL NEW AREAS OF BILATERAL COOPERATION WHICH WE WILL BE REFINING DURING NEXT FEW DAYS IN MEETINGS WITH MINISTERS IMADI AND SHARIF. IT IS TOO SOON TO TELL WHETHER PRESIDENT'S CHILLY REMINDER THAT US POLITICAL POSITIONS ON ME AFFECT DEVELOPMENT OF ECONOMIC RELATIONS WILL INFLUENCE THESE POSSIBILITIES. IN ANY EVENT SECRETARY AND HIS DELEGATION MADE EXCELLENT IMPRESSION ON SYRIAN LEADERSHIP AND HAVE MADE REMARK-ABLY EFFECTIVE CONTRIBUTION TO BOTH ATMOSPHERE AND SUBSTANCE OF OUR ECONOMIC RELATIONSHIP WITH SYRIA.
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